

OVERVIEW OF BUDGET

DEPARTMENT: HEALTH CARE COSTS
BUDGET UNIT: AAA HCC

I. GENERAL PROGRAM STATEMENT

This budget unit represents the costs of health care related programs for the county general fund. Health care related transactions represented by this budget unit include the Disproportionate Share Hospital (DSH) Supplemental Payments Programs (SB 855, SB 1255, and Graduate Medical Education (GME)), Realignment "AB 8" match, and the county's contribution for Arrowhead Regional Medical Center debt service payments. Summary information regarding key components of this budget unit appears below.

Disproportionate Share Hospital Programs

The DSH programs were established to provide supplemental Medi-Cal payments to hospitals that provide services to disproportionate numbers of Medi-Cal and other low-income patients. These programs assist safety net hospitals in meeting the uncompensated costs associated with providing medical services to uninsured and underinsured patients. These programs are mechanisms for distributing federal health care funds. The programs require the county to transfer general fund dollars (shown in this budget unit as Other Charges) to the state. Through a matching process, the county receives back its initial contribution, which is recorded in this budget unit as Current Services revenue. In addition to the return of the initial contribution, the county receives federal health dollars which are accounted for in the ARMC budget. The level of the county's contribution is set during the year by the state. As a result, the amounts only represent estimates of the funds needed at the time the budget is prepared. In a similar fashion, the ARMC budget cannot fully reflect the amount of federal health dollars received via DSH programs until the county is notified of the matching amounts during the course of the Fiscal Year. The DSH program comprises two elements:

- The SB 855 program provides supplemental payments to hospitals that serve a disproportionate number of low-income individuals. Public entities are required to transfer funds to the State Department of Health Services by an intergovernmental transfer. These funds are matched with federal funds and redistributed as supplemental payments to all eligible hospitals including non-public hospitals. A hospital may receive DSH payments if its Medi-Cal utilization rate exceeds an established threshold or it uses a designated percentage of its revenues to provide health care to Medi-Cal and uninsured patients.
- The SB 1255 program supplements eligible hospitals that are licensed to provide emergency medical services and contract with the California Medical Assistance Commission (CMAC) to serve Medi-Cal patients under the Selective Provider Contracting Program. Intergovernmental transfers are also made. These funds are combined with matching federal funds and redistributed by CMAC as supplemental payments to hospitals demonstrating a need for additional funds. CMAC ultimately determines the amount received by each participating hospital.

The GME program is part of the SB 1255 program and it provides supplemental payments to DSH hospitals that are also a teaching facility/institute. Payments are determined solely by CMAC and the amount can vary from year to year. Similar to other SB 1255 revenues, the amount actually received is determined by the state during the course of the fiscal year.

Realignment and General Fund Support

General fund support and realignment funds are used to pay for the ARMC debt service lease payments, Realignment "AB 8" match and administrative costs related to this budget unit. Note: Specific details regarding the financing sources which are used to cover the county's \$53.1 million annual debt service obligation for the ARMC facility are provided in the ARMC Lease Payments (EMD JPL) section of the Proposed Budget.

To qualify for receipt of Health Realignment funding from the state, the county must contribute a "match" of local funds. The matching amount is based on a formula, established through AB 8 in 1979, through which the state provided funding to preserve critical health programs in the aftermath of Proposition 13. When the Realignment program was created in 1991, funding allocations were based on the historical AB 8 formula, and local match requirements remained. The county's match requirement for 2003-04 is \$4.3 million; this amount remains constant each year per the historical formula. The Realignment match funded in the Health Care Costs budget meets the County's full obligation to receive Health Realignment dollars which support

HEALTH CARE COSTS

the Public Health Department and Arrowhead Regional Medical Center. For 2003-04, the county anticipates receipt of approximately \$51.0 million in Health Realignment funding. Important note: The local match requirement for receipt of Mental Health Realignment funding is reflected in the operating budget for the Department of Behavioral Health.

Realignment funds support this budget as follows:

- Mental Health at 3% (which covers half of administrative costs).
- Health at 97% (which covers half of administrative costs plus debt service payments).

The amounts listed as "Operating Transfers Out" represent the county's net debt service obligation for the payment of the Arrowhead Regional Medical Center facility (\$20.7 million) and the required Realignment "AB 8" match (\$4.3 million) which must by law be transferred into trust before Realignment monies can be directed toward health programs.

II. BUDGET & WORKLOAD HISTORY

	Actual 2001-02	Budget 2002-03	Estimated 2002-03	Department Request 2003-04
Total Requirements	170,638,249	135,600,146	117,940,048	135,628,083
Total Revenue	151,094,038	117,900,146	100,240,048	120,628,083
Local Cost	19,544,211	17,700,000	17,700,000	15,000,000
Budgeted Staffing		4.0		4.0

Increased 2002-03 services and supplies expenditures reflect one-time costs to provide Health Insurance Portability and Accountability Act (HIPAA) training for county employees.

Significant variance is estimated in Other Charges (\$15 million) as the county's requirement to transfer funds to participate in the Disproportionate Share Hospital programs is not determined until later in the fiscal year. Since these expenses are fully offset by an equivalent amount of revenue (recorded as current services), any variance has no impact on local cost.

Operating transfers out and realignment are lower than anticipated as a result of a higher reimbursement rate from the state.

III. HIGHLIGHTS OF RECOMMENDED PROGRAM FUNDED ADJUSTMENTS

STAFFING CHANGES

None.

PROGRAM CHANGES

Use of Realignment funding has been increased by approximately \$2.7 million out of which \$2,643,434 is related to the decrease in local cost contribution for debt service payments and \$59,780 is primarily due to increases in services and supplies for expenses related to Health Insurance Portability and Accountability Act (HIPAA).

OTHER CHANGES

None.

IV. VACANT POSITION IMPACT

None.

V. OTHER POLICY ITEMS

None.

VI. FEE CHANGES

None.

GROUP: Human Services System
DEPARTMENT: Health Care Costs
FUND: General AAA HCC

FUNCTION: Health and Sanitation
ACTIVITY: Hospital Care

ANALYSIS OF 2003-04 BUDGET

	A	B	C	D	B+C+D E Board Approved Base Budget
	2002-03 Year-End Estimates	2002-03 Final Budget	Base Year Adjustments	Mid-Year Adjustments	
<u>Appropriation</u>					
Salaries and Benefits	404,779	408,183	25,106	-	433,289
Services and Supplies	151,690	73,063	(44)	-	73,019
Other Charges	95,000,000	110,000,000	-	-	110,000,000
Transfers	74,067	71,302	(89)	-	71,213
Total Appropriation	95,630,536	110,552,548	24,973	-	110,577,521
Operating Transfer Out	<u>22,309,512</u>	<u>25,047,598</u>	<u>(2,700,000)</u>	<u>-</u>	<u>22,347,598</u>
Total Requirements	117,940,048	135,600,146	(2,675,027)	-	132,925,119
<u>Revenue</u>					
Current Services	95,000,000	110,000,000	-	-	110,000,000
Realignment	5,240,048	7,900,146	24,973	-	7,925,119
Total Revenue	100,240,048	117,900,146	24,973	-	117,925,119
Local Cost	17,700,000	17,700,000	(2,700,000)	-	15,000,000
Budgeted Staffing		4.0			4.0

GROUP: Human Services System
 DEPARTMENT: Health Care Costs
 FUND: General AAA HCC

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ANALYSIS OF 2003-04 BUDGET

	E	F	E+F G	H	G+H I	J	I+J K
	Board Approved Base Budget	Recommended Program Funded Adjustments	2003-04 Department Request	Vacant Position Impact	2003-04 Proposed Budget (Adjusted)	Recommended Vacant Restoration	2003-04 Recommended Budget
<u>Appropriation</u>							
Salaries and Benefits	433,289	-	433,289	-	433,289	-	433,289
Services and Supplies	73,019	59,933	132,952	-	132,952	-	132,952
Other Charges	110,000,000	-	110,000,000	-	110,000,000	-	110,000,000
Transfers	<u>71,213</u>	<u>(153)</u>	<u>71,060</u>	<u>-</u>	<u>71,060</u>	<u>-</u>	<u>71,060</u>
Total Appropriation	110,577,521	59,780	110,637,301	-	110,637,301	-	110,637,301
Operating Transfer Out	<u>22,347,598</u>	<u>2,643,184</u>	<u>24,990,782</u>	<u>-</u>	<u>24,990,782</u>	<u>-</u>	<u>24,990,782</u>
Total Requirements	132,925,119	2,702,964	135,628,083	-	135,628,083	-	135,628,083
<u>Revenue</u>							
Current Services	110,000,000	-	110,000,000	-	110,000,000		110,000,000
Realignment	<u>7,925,119</u>	<u>2,702,964</u>	<u>10,628,083</u>	<u>-</u>	<u>10,628,083</u>	<u>-</u>	<u>10,628,083</u>
Total Revenue	117,925,119	2,702,964	120,628,083	-	120,628,083	-	120,628,083
Local Cost	15,000,000	-	15,000,000	-	15,000,000	-	15,000,000
Budgeted Staffing	4.0		4.0		4.0		4.0

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Base Year Adjustments		
Salaries and Benefits	8,349	MOU.
	16,358	Retirement.
	399	Risk Management Workers Comp.
	<u>25,106</u>	
Services and Supplies	<u>(44)</u>	Risk Management Liabilities.
Transfers	<u>(89)</u>	Incremental change in EHAP.
Total Appropriation	<u>24,973</u>	
Operating Transfers Out	<u>(2,700,000)</u>	Reduced local cost.
Total Requirements	<u>(2,675,027)</u>	
Realignment	24,973	Change in use of realignment funds to cover salaries & benefits, and services & supplies costs.
Total Revenue	<u>24,973</u>	
Local Cost	<u>(2,700,000)</u>	

Recommended Program Funded Adjustments		
Services and Supplies	(782)	GASB 34 Accounting Change (EHAP).
	<u>60,715</u>	Expected costs increases related to Health Insurance Portability and Accountability Act.
	<u>59,933</u>	
Transfers	782	GASB 34 Accounting Change (EHAP).
	<u>(935)</u>	Decrease in costs for Human Services System Administrative support.
	<u>(153)</u>	
Total Appropriation	<u>59,780</u>	
Oper Transfers Out	2,643,184	Increased due to a reduction of local cost contribution for Arrowhead Regional Medical Center (ARMC) debt service lease payments.
Total Requirements	<u>2,702,964</u>	
Revenue		
Realignment	2,643,184	Increased use of realignment funds to cover ARMC debt service payments.
	<u>59,780</u>	Increased use of realignment funds to cover services and supplies, and transfer costs.
	<u>2,702,964</u>	
Total Revenue	<u>2,702,964</u>	
Local Cost	<u>-</u>	